

STATE BOARD OF ACCOUNTS
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Room E418
INDIANAPOLIS, INDIANA 46204-2769

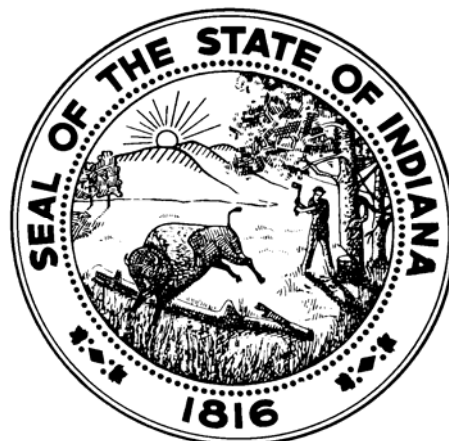
EXAMINATION REPORT

OF

CITY OF LAWRENCE

MARION COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
06/20/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Hon. Deborah L. Cantwell	01-01-04 to 12-31-07
Controller	Rebecca L. Fuller	01-01-06 to 12-31-07
Clerk	Kathleen Walton	01-01-04 to 12-31-07
President of the Common Council	DeAnna K. Lowry	01-01-06 to 12-31-07
President of the Board of Public Works	Karen Horth-Powers	01-01-06 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

We were engaged to examine the financial information presented herein of City of Lawrence (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Management did not maintain complete financial records for the enterprise funds (Water and Waste-water Utilities). The City's records did not permit the application of other examination procedures to present the enterprise funds. No financial transactions for the enterprise funds are reflected in this report.

Except as discussed in the preceding paragraph, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, except for the omission of the enterprise funds described in the second paragraph, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedules of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 31, 2007

CITY OF LAWRENCE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,062,204	\$ 16,287,736	\$ 16,084,237	\$ 2,265,703
Animal Shelter	1,000	-	-	1,000
Emergency Medical Services/Ambulance	311,677	589,045	873,469	27,253
Fire Donation	1,800	-	-	1,800
Hazardous Materials	3,462	2,893	3,703	2,652
Law Enforcement Continuing Education	37,548	24,129	18,085	43,592
Levy Excess	57,832	-	57,832	-
Local Road and Street	432,425	549,714	482,906	499,233
Motor Vehicle Highway	1,152,134	2,051,968	1,867,222	1,336,880
Nonreverting Special	711,896	-	-	711,896
Park Nonreverting Operating	153,912	174,529	113,101	215,340
Rainy Day	28,780	-	-	28,780
Recycling	534	3,653	-	4,187
Chaplain Relief Donations	500	1,000	411	1,089
City Festival Celebrations Activities	-	933	479	454
Criminal Investigation	1,558	135	1,693	-
Defibrillator Donations	1,500	-	-	1,500
Developers Escrow/Street Inspections	80,685	2,150	-	82,835
Explorer Park Donations	826	-	-	826
Federal Forfeiture	161,183	12,076	92,455	80,804
Federal Grant/Police Equipment	-	-	19,104	(19,104)
Meth Lab Training Grant	162	-	-	162
National Night Out	1,500	-	1,490	10
PAL Club Donations	2,485	104	400	2,189
Police DARE Program	959	-	-	959
Police Department Donations	-	10	-	10
Police Firing Range	3,663	7,266	997	9,932
Police Grant Equipment	3,991	25,000	-	28,991
Police Honor Guard Program	1,476	1,200	1,764	912
Police K-9 Donations	(28)	28	-	-
Police Other Donations	13,057	3,859	2,242	14,674
Prosecutors Diversion	52,826	7,146	17,322	42,650
SWAT Team Donations	1,000	-	36	964
Waste Tire Recycling Grant	-	9,483	-	9,483
Cumulative Capital Development	938,882	598,425	932,359	604,948
Transportation Bond Proceeds	3,574,047	86,305	654,115	3,006,237
Cumulative Capitol Building	111,793	-	59,600	52,193
1990 Park Bond Debt	8,667	9	375	8,301
1998 Park Bond	124,669	264,000	250,945	137,724
2000 Park Building Debt	37,188	96,000	88,000	45,188
Fire and Police 2002 Debt	83,250	500,402	393,100	190,552
Fire Debt II (Station #3)	61,205	90,338	100,250	51,293
Fire Debt V (Station #4)	65,837	132,319	133,687	64,469
Government Center Debt	281,554	453,521	492,250	242,825
Fiduciary Funds:				
Police Officers' Pension	325,586	522,402	482,226	365,762
Fort Harrison Reuse Authority	1,536,704	3,436,246	3,093,576	1,879,374
Redevelopment District General	-	125,000	35,000	90,000
Self-Funding Insurance	234,207	2,114,423	2,283,019	65,611
Employees Recognition	1,528	-	-	1,528
Cash Change and Petty Cash Funds	-	650	-	650
Payroll	50,825	3,249,301	3,263,408	36,718
Totals	<u>\$ 12,718,489</u>	<u>\$ 31,423,398</u>	<u>\$ 31,900,858</u>	<u>\$ 12,241,029</u>

The accompanying notes are an integral part of the schedules.

CITY OF LAWRENCE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, water, wastewater, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF LAWRENCE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue publicly available financial reports that include financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirement of plan members for the 1925 Police Officers' Pension Plan is established by state statute.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan.

CITY OF LAWRENCE
NOTES TO FINANCIAL INFORMATION
(Continued)

C. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the Town is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF.

CITY OF LAWRENCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 3,037,195	\$ 2,282,531	\$ 754,664	133%	\$ 2,670,549	28%
07-01-05	3,141,849	2,790,825	351,024	113%	2,972,142	12%
07-01-06	2,716,095	2,854,060	(137,965)	95%	2,931,774	(5%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 636,192	\$ 5,517,300	\$ (4,881,108)	12%	\$ 292,100	(1,671%)
01-01-00	608,348	5,707,000	(5,098,652)	11%	265,400	(1,921%)
01-01-01	553,687	6,017,400	(5,463,713)	9%	241,700	(2,261%)
01-01-02	612,768	6,249,500	(5,636,732)	10%	215,000	(2,622%)
01-01-03	544,302	5,381,700	(4,837,398)	10%	304,400	(1,589%)
01-01-04	474,358	6,502,600	(6,028,242)	7%	228,400	(2,639%)

CITY OF LAWRENCE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For the Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement costs. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	
Infrastructure	\$ 2,867,645
Buildings	1,678,577
Improvements other than buildings	329,556
Machinery and equipment	10,637,172
<i>Pre-2000 balances not designated by asset classifications*</i>	<u>6,968,390</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 22,481,340</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	
Construction in progress	\$ 1,218,736
Improvements other than buildings	3,075,514
Machinery and equipment	65,305
<i>Pre-2000 balances not designated by asset classifications*</i>	<u>19,448,323</u>
Total Water Utility capital assets	<u>23,807,878</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	
Construction in progress	\$ 2,422,826
Improvements other than buildings	14,866,746
<i>Pre-2000 balances not designated by asset classifications*</i>	<u>17,292,145</u>
Total Wastewater Utility capital assets	<u>34,581,717</u>
Total business-type activities capital assets	<u>\$ 80,870,935</u>

* - Retroactive report of general infrastructure assets is currently in process.
General infrastructure assets completed in the years from 2000 to current have been reported.

CITY OF LAWRENCE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2006

<u>Description of Debt</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Capital leases:		
Building Corporations:		
Fire Station No. 2 located at 4751 North Richardt Street (2002 Debt)	\$ 4,380,000	\$ 392,500
Lawrence Municipal Building Corporation (2006 lease)*:	9,625,000	
Government Center located at 9001 East 59th Street (1997 & 1999 lease)*		494,000 **
Fire Station No. 3 located at 4902 North German Church Road (1999 Debt II)*		102,500 **
Fire Station No. 4 located at 9530 East 59th Street (2000 Debt V & Ivy Tech pays % of Debt)*		132,644 **
Notes and loans payable:		
Street Department City Garage located at 10001 East 59th Street (1999 lease)	403,194	98,417
Aerial Fire Truck & (2) Fire Pumper Trucks (2003 lease)	500,872	137,364
Dell Computers (93) (2004 lease - paid 1/2007)	27,108	27,108
2006 Sterling Dump Trucks (2)	136,370	39,400
Bonds payable:		
Revenue Bonds:		
2004 Transportation Bond for Various City Roads	4,715,000	353,298
General Obligation Bonds:		
Community Park Soccer Fields located at 5301 North Franklin Road (1998 Bond)	2,385,000	250,046
Park Maintenance Building located at 5301 North Franklin Road & Sterrett Center located at 8950 Otis Avenue (2000 Bond)	<u>750,000</u>	<u>86,500</u>
Total governmental activities long-term debt	<u>\$ 22,922,545</u>	<u>\$ 2,113,777</u>

* - Refunding of 1997 & 1999 Gov Ctr Leases, 1999 & 2000 Fire Debts

** - 1st year payments uses old amortization schedules

CITY OF LAWRENCE
EXAMINATION RESULTS AND COMMENTS

RECEIPT DEPOSITS

The City did not always designate the type (i.e., cash, check, money order, EFT) of funds received. Thus, it could not always be determined if the monies were deposited to the bank in the same manner in which they were received.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING (APPLIES TO THE EMERGENCY MEDICAL SERVICE DEPARTMENT)

The Emergency Medical Service (EMS) Department's accounting system is set up to show only current accounts receivable balances. Reports on the system must be run as close to the end of the year as possible in order to determine year end balances. The EMS Department did run year-end reports, but did so as of December 19, 2006. However, there was additional billing and collection activity between December 19 and December 31. Cumulative account receivable balances from prior years are not readily available. A similar comment appeared in Reports B26062 and B27533.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the bank account indicated cash necessary to balance of \$2,587 as of December 31, 2006. A similar comment appeared in Reports B26062 and B27533.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS

Controls over the issuance of permits from the Building Department were insufficient. The computer generated permit forms are not prenumbered. The computer assigns a permit number to each document; however, duplicate numbers are sometimes assigned, numbers are sometimes assigned out of sequence, and records of some permits are inadvertently deleted. A similar comment appeared in Reports B26062 and B27533.

CITY OF LAWRENCE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INDEBTEDNESS

The City issued Transportation Revenue Bonds in 2004, for its Local Road and Street Fund, a governmental fund type. Total bond proceeds of \$5,000,000 were used to improve the streets of the City.

A city or town can legally create interest-bearing indebtedness against the taxing power of such city or town under the following statutes:

Cities – Permanent Loans – in the form of Bonds or other evidences of Indebtedness

IC 36-1-4-9
IC 36-4-6-19
IC 36-9-41
IC 5-1-11, 12, 14 and 15
IC 6-1.1-20

(Cities and Towns Bulletin, March, 2005)

The statutes cited above refer to governmental funds issuing general obligation indebtedness. Revenue bonds are issued by enterprise funds.

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The City has an ordinance concerning the issuance of \$5,000,000 in Transportation Revenue Bonds of 2004. Provisions within the ordinance require the payments to be made out of a Bond and Interest Redemption Fund. A specified amount to cover future principal and interest is to be set aside in a Reserve Fund. However, the payments are being made out of the Local Road and Street Fund and no amounts have been established in a Reserve Fund to pay future principal and interest.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Accounts receivable for EMS and trash billings (Building Department) are not covered by a formal policy addressing the write-off of old uncollectible accounts.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

CITY OF LAWRENCE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

City Councilman, Paul Whitehead, received \$710 in payments for 2006 which were in excess of the salary ordinance or resolution. The fixed salary for a City Councilman is \$9,894. In addition, they can be compensated a variable \$35 per meeting for attending a regular meeting and \$75 per meeting for a special meeting. Mr. Whitehead attended one \$35 meeting and four \$75 meetings (\$300). The total amount earned by the Councilman for 2006 is \$10,229; he was actually paid \$10,939. The amount he was paid in 2005 was greater than what he received in 2006 by \$710. This higher salary in 2005 was attributed to attending more meetings.

Indiana Code 36-4-7-2 (b) and (c) state in part: "the City legislative body shall, by ordinance, fix the annual compensation of all elected officers." and "The compensation of an elected official may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

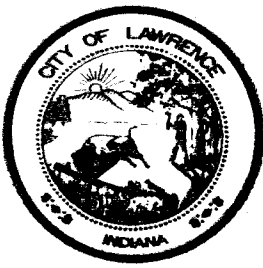
CAPITAL ASSET RECORDS

The City had a capital asset inventory of machinery, equipment and buildings from 2000 forward. The City was not using the capital assets ledger (City and Town Form 211) to record all types of capital assets (i.e., infrastructure, land, etc.). The City did not have a formal capital asset policy and did not record depreciation. A similar comment appeared in Reports B26062 and B27533.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LAWRENCE
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2007, with Hon. Deborah L. Cantwell, Mayor; DeAnna K. Lowry, President of the Common Council; and Rebecca L. Fuller, Controller. The official response has been made a part of this report and may be found on pages 15 through 21.



CITY OF
LAWRENCE
INDIANA

MAYOR
Deborah Cantwell

"OFFICIAL RESPONSE"

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2738

Re: City of Lawrence Examination for Year 2006

The City of Lawrence wishes to file an official response to the Examination Results and Comments per Option No. 4 of the Exit Conference Officials' Response for the Examination Year 2006.

Receipt Deposits

Corrective action had already been taken in the Controller's Office and the Police Department prior to the Examination. Corrective action was instituted for Emergency Medical Services during the Examination.

Timely Record Keeping (Applies to the Emergency Medical Service Department)

This is a repeat Result and Comment from the 2005 Examination. Again this year, the Billing Clerk ran a year-end report to show current accounts receivable balances. However, the report was run as of December 19th versus December 31st and the system continues to combine current year and prior years accounts receivable balances. The City is desirous of updating the current accounting system, as soon as, funding can be appropriated.

Cash Necessary to Balance, Bank Reconciliations

This is a repeat Result and Comment from the 2005 Examination. The cash necessary to balance is an outstanding adjustment that occurred in 2004 and was reflected on the City's December 31, 2004 year-end close. The outstanding adjustment has been consistent and remains the same for the December 31, 2006 year-end close. A request for a one-time adjustment has been submitted to the State Board of Accounts.

Internal Controls (Applies to Building Department)

The City is aware of the deficiencies in the permitting accounting system and is desirous of updating the current system, as soon as, funding can be appropriated.

Indebtedness

The City objects to this Result and Comment.
See Attachment No. 1

Ordinances & Resolutions

The City objects to this Result and Comment.
See Attachment No. 1

Bad Debts & Uncollectible Accounts

The City is currently in the process of preparing a formal policy for writing off old uncollectible accounts.

Compensation & Benefits


The City objects to this Result and Comment. The City has been advised differently from the comment.
See Attachment No. 2

Capital Asset Records

This is a repeat Result and Comment from the 2005 Examination. The City is in the process of creating a capital asset inventory of machinery, equipment and buildings from 2000 back and preparing a formal capital asset policy. A committee has been formed to assist with the preparation of a City Capital Plan for asset replacements.

Thank you for the opportunity to respond to the Examination Results and Comments.

Sincerely yours,



Rebecca L. Fuller
City Controller

CC: Deborah Cantwell, Mayor

Attachment No. 1

BAKER & DANIELS LLP

EST. 1863

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INDIANA
WASHINGTON, D.C.
CHINA

June 5, 2007

Stan Hirsch
Attorney, City of Lawrence
9001 E. 59th Street
Lawrence, IN 46216

RE: Responses To State Board Of Accounts Regarding 2004 Bond Issue

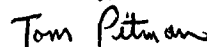
Dear Stan:

In response to the State Board of Accounts' concerns regarding the 2004 Lawrence bond issue, please note the following.

1. The bond issue is theoretically payable from property taxes. The bond ordinance simply authorizes use of the MVH and Local Road and Street funds to pay debt service in lieu of levying property taxes.
2. The bond issue was approved by the Department of Local Government Finance prior to issuance.
3. Nothing in IC 36-4-6-19 states that bonds issued thereunder are payable solely from a general obligation tax pledge.
4. IC 8-14-1-5 and 8-14-2-5 specifically authorize the use of MVH and Local Road and Street monies to be used to pay debt service. It would be an absurd result if the legislature authorized the use of monies in this way but provided no avenue for bonds to be issued.
5. Even if IC 36-4-6-19 did not exist, the City has home rule authority to incur debt (and IC 36-1-4-9 is not limited to general obligation debt).

Please let me know if the State Board of Accounts requires further clarification.

Yours truly,



Thomas A. Pitman

TAP:clw

BDDBO1 4781913v1

Attachment No. 2

Fuller, Rebecca

From: Pride, Charlie [cpride@sboa.IN.gov]
Sent: Thursday, August 26, 2004 9:43 AM
To: Fuller, Rebecca
Subject: RE: City of Lawrence

We have been advising cities since 1993 that the salary law in IC 36-4-7-2 for elected officials would authorize an elected official to argue that whatever he/she was paid in total in the previous year, he/she would be entitled to this year. Based on that argument, it could be a real mess to try to figure out a council member's pay that went up and down based on the number of meeting he/she attended. A new council member that decided to not attend meetings could argue that you still had to pay the extra you paid out last year.

Charlie Pride
IN State Board of Accounts
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-----Original Message-----

From: Fuller, Rebecca [mailto:RFuller@cityoflawrence.org]
Sent: Wednesday, August 25, 2004 10:51 AM
To: Pride, Charlie
Subject: City of Lawrence

Hello Charlie:

Question:

Can a Council member also set on the BOW in a second class city?
My question would be regarding the pay. Because the Council should not make more than what was advertised, I am assuming the BOW pay would need to be considered and would, therefore, not allow for such payment. Unless, of course, they do it free.

Also related question:

Attached is a copy of the Elected Officials Salary Ordinance we are currently working under for 2004. As you will see, the ordinance stated an annual salary and then in Section 2 adds additional pay per each special or committee meeting. My understanding from talking with the SBOA in my past position and with Larry Tipton earlier this year is that we should not be paying them anything in excess of the annual amount. Therefore, when they reach that amount they should not receive any additional compensation. What is your understanding? They are getting close to the amounts due to their having over 30 committee meetings and a dozen special meetings. To me, this does not seem right. They are subsidizing their salaries by having extra meetings.

Please let me know what you think.

<<2004 Salary Ord. #11,2003 Elected Off..doc>>

Thanks for your time.
Have a great day!
Rebecca L. Fuller